

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2018/2019

BAC4694 – FORENSIC ACCOUNTING

(All sections / Groups)

1 MARCH 2019
3.00 p.m. – 6.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

- (a) This question paper consists of **THREE** printed pages excluding cover page with **FOUR** questions only.
- (b) Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
- (c) Write your answers in the Answer Booklet provided.

QUESTION 1**Cybercrime surge in Malaysia**

PETALING JAYA: Cybercrime is growing in Malaysia, as statistics from CyberSecurity Malaysia show.

For example, fraud cases detected in cyberspace jumped 20% last year compared to 2015. Besides fraud, the top cybercrime were intrusion, spam and malicious code.

Data from Cybercrime Malaysia, an agency under the Science, Technology and Innovations Ministry, also show a total of 2,428 cybercrime incidences reported between January and April this year.

(Source: *The Star Online*, Saturday, 20 May 2017)

Required:

- (a) Define cybercrime and explain why it is not categorized as occupational fraud. (3 marks)
- (b) Identify the source of above mentioned type of fraud investigation. (6 marks)
- (c) Determine the steps in forensic investigation in the case of cybercrime. (16 marks)

[TOTAL 25 MARKS]

QUESTION 2

Appraisers do not audit for fraud in the course of a typical business valuation assignment. Instead, they generally assume financial statements are free from error and material misstatement. Indeed, most valuation professionals are not trained in forensic accounting. But some may accidentally discover irregularities when analyzing financial performance or touring company facilities. In any event, valuers should further investigate into any transactions, balances or ratios that appear excessive or abnormal.

Required:

- (a) Discuss the process of valuing a business. (15 marks)
- (b) In the above mentioned statement, explain **FIVE** basic valuation theory. (10 marks)

[TOTAL 25 MARKS]

Continued...

QUESTION 3

Megan Media executive chairman jailed, fined for providing false revenue figures

KUALA LUMPUR: Former Megan Media Holdings Bhd executive chairman and director Datuk Dr Mohd Adam Che Harun has been sentenced to 18 months in jail for providing false revenue figures to Bursa Malaysia Securities Berhad.

Sessions Court judge Zulqarnain Hassan also fined the 74-year-old Adam RM300, 000 in default one year's jail. Zulqarnain imposed the sentence after finding that the defence failed to raise reasonable doubt in the case against Adam.

He said the court viewed the offence as serious and added that the accused should avoid providing false information in the company's financial statements as an executive chairman and director.

"It is important for the investors, particularly foreign investors to gain confidence as this would affect investment into our country," he said when delivering his judgment on Wednesday.

He ordered the sentence to run from the date of sentencing.

Earlier, in mitigation, Adam's counsel, Lim Kon Keen submitted that his client was 74 years old and has six children, three of whom are in secondary school. He added that Adam was a bankrupt and had not worked since 2007.

Lim said Adam suffered from hypertension, diabetes and had undergone heart surgery. He pleaded for the court to impose a fine and not a jail sentence on his client.

Meanwhile, Securities Commission (SC) deputy public prosecutor, Roz Mawar Rozain asked for a one-year jail sentence and a fine of not more than RM350,000 because of his role in providing the false information.

Six prosecution and 10 defense witnesses were called to testify in the trial.

Adam was charged on Dec 10, 2007 with furnishing false information to Bursa Malaysia on Page 2 of the Quarterly Report on Consolidated Results of Megan Media for the financial period that ended on Jan 31, 2007.

He was charged under Section 122B (a) (bb) read together with Section 122(1) of the Securities Industry Act 1983, punishable under Section 122B of the same Act.

The offence was committed at Bursa Malaysia in Bukit Kewangan here on March 30, 2007.

However, Zulqarnain granted a stay of the jail sentence pending an appeal.

(Source: *The Star Online*, Wednesday, 17 May 2017)
Continued...

Required:

- (a) Describe how does the audit committee can help to prevent financial statement fraud as experienced by above scenario?
(7 marks)
- (b) Explain **FOUR** effects of financial statement fraud on company and management.
(8 marks)
- (c) In what ways do financial statement fraud could happen when it comes to overstating the revenues?
(10 marks)

[TOTAL 25 MARKS]**QUESTION 4**

Forensic accounting is commonly associated with criminal investigations and other legal proceedings. After all, it was forensic accountant, Frank Wilson who uncovered evidence that helped bring down Al Capone for tax evasion. And the “forensic” part of “forensic accounting” does signify the application of scientific methods and analytical techniques in a manner suitable for use in a court of law. But the truth is that those methods and techniques are applicable in many areas in business, and forensic accountants can provide companies with valuable assistance beyond the legal and regulatory realm.

(Extracted from Forensic Accounting: Beyond the Courtroom, 2 September 201)

Required:

- (a) From the above scenario, explain **FIVE** common risks that forensic accounting can alleviate.
(10 marks)
- (b) Determine **FOUR** challenges that forensic accountants might face when carrying out duties.
(8 marks)
- (c) Suggest steps that can reasonably be taken by organizations to engaging forensic accountants.
(7 marks)

[TOTAL 25 MARKS]**End of Paper**

